

11545 W. Touhy Avenue, P.O. Box 66945, Chicago, IL 60666,



December 14, 2010

Ben S. Bernanke, Chairman  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

Re: Proposed Changes to Credit Insurance Disclosures under Regulation Z and the  
Truth-in-Lending Act  
Docket No. R-1390

Dear Chairman Bernanke:

I am writing on behalf of Alliant Credit Union to oppose the proposed changes to the credit insurance and debt protection disclosures under Regulation Z. We believe these new rules, if finalized as proposed, will have a negative impact on our members, our credit union and the credit union industry as a whole.

We believe the proposed changes misrepresent the purpose and value of payment protection products to credit union members. If these proposed changes become reality, we fear that our members will be discouraged from purchasing credit insurance, thus putting their financial future at risk as well as our credit union's safety and soundness.

Additionally, under Title X of the Dodd-Frank Act, the Bureau of Consumer Financial Protection would be created and assumes the rule making authority (as set forth by Congress) related to TILA on July 21, 2011. I would argue that it is not reasonable to draft, comment, approve and implement changes to Regulation Z within the timeline allowed, considering the changes which lie ahead (regarding TILA governance).

The purpose of this letter is to bring to your attention our key objections to the proposed changes:

1. Disclosure language changes are unnecessarily negative and discourage the purchase of payment protection products by consumers.

Specific disclosure changes that we object to include:

- "If you already have enough insurance or savings to pay off this loan if you die, you may not need this product."
- "Other types of insurance can give you similar benefits and are often less expensive."
- "You may not receive any benefits even if you buy this product."

If adopted, we believe these disclosure changes will have a negative effect on our credit union's non-interest fee income and the risk to our loan portfolio. To illustrate the current disclosure process that Alliant Credit Union practices, please refer to the enclosed Loan Closing Script Document for your perusal; we clearly disclose whether or not a member has selected any debt cancellation package, indicate that it is optional and offer a high level overview of the benefits selected.



As an example, we recently had a member open an auto loan and, less than six months into their loan, they passed away unexpectedly. Fortunately, the member elected the optional life protection and their auto loan balance was cancelled, enabling the member's family to take possession of the vehicle, loan free. The benefit that the member received was nearly \$30,000, at the cost of less than \$120 from the inception of the loan. I'm convinced that, based upon the aforementioned verbiage recommendations, that this member would most likely have declined the optional debt cancellation benefit offered by Alliant.

2. Insufficient sample size used to test disclosures.

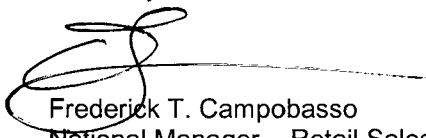
Only 18 consumers participated during two rounds of testing the proposed disclosure changes. This is an insufficient sample size to validate such important changes. Were reasonable statistical protocols followed when determining the aforementioned sample size? Based on normal distribution as it relates to sampling statistic, a reasonable sample would have consisted of approximately 400 subjects; such a sample size would have allowed for a margin of error of no more than +/- 5%. The sample size of 18 provides questionable data, at best.

3. The proposed rule revisions to Reg Z will jeopardize many credit unions' ability to generate non-interest income and increase risk of loan losses and charge-offs.

We believe that the proposed credit insurance disclosures will not only hurt our credit union's ability to generate much needed non-interest income but also lead to an increase in loan losses and charge-offs if consumers are made to feel credit insurance is an unwise investment due to misleading and inaccurate disclosure language. Ultimately, this will lead to less available consumer credit.

To summarize, we believe the adoption of the proposed disclosure changes will lead to a decrease in our member's election of voluntary payment protection coverage. This would translate into less non-interest income for our credit union, more risk for our loan portfolio and fewer members realizing the benefits of payment protection on their loans. We respectfully ask the FRB to withdraw this payment protection disclosure proposal and consider alternative revisions that would give the consumer fair, accurate and balanced information about credit protection insurance.

Sincerely,



Frederick T. Campobasso  
National Manager – Retail Sales and Service Strategies  
Alliant Credit Union



# Loan Closing Script

(To be read at the conclusion of each loan call)

## Loan Terms:

Your loan is approved in the amount of \$ \_\_\_\_\_

The interest rate to be charged on your loan is \_\_\_\_\_ %.

The term of your loan is \_\_\_\_\_ years ☐ months

Your loan will be set up for ☐ payroll deduction ☐ monthly coupons ☐ automatic transfer ☐ ACH

and your payments will be \$ \_\_\_\_\_ each ☐ paycheck ☐ month.

Your loan is ☐ unsecured ☐ secured.

If this loan is secured you are required to provide us the title to the vehicle or other collateral with Alliant Credit Union listed as lien holder for the \_\_\_\_\_ no later than 60 days from today. You are also required to provide proof of insurance within 30 days indicating Alliant Credit Union as the loss payee on the insurance policy with a deductible no more than \$500.

When completing an auto refinance you must inform member that state titling fees may apply. Fees vary per state.

## MRC Sale:

You ☐ have or ☐ have not purchased a warranty on the vehicle.

If you have, the vehicle will be covered for \_\_\_\_\_ months or \_\_\_\_\_ miles whichever one comes first. Please make sure you review the literature and contract in your loan package.

## GAP Sale:

You ☐ have or ☐ have not agreed to purchase a GAP policy.

If you have, the policy is valid up to \_\_\_\_\_ years, please make sure you review the literature and contract in your loan package.

## Credit Protection:

You ☐ have or ☐ have not agreed to purchase MEMBER'S CHOICE™ Protection.

You have selected ☐ Ultra ☐ Preferred ☐ Preferred Plus ☐ Consumer Life protection which covers ☐ Life ☐ Disability ☐ Unemployment

Please note that your Member's Choice Protection fee will show on your statement as a monthly fee denoted by the abbreviation "MCP"

Please make sure you read all the documents for exact details regarding your loan requirements, MEMBER'S CHOICE™ Protection, MRC coverage and GAP coverage. You are responsible to make payments as required, and interest on your loan will accrue beginning today when the check(s) will be issued or deposited in your Alliant account. Should you return the loan check(s), you will be responsible for any accrued interest.

\_\_\_\_\_, I'm happy we were able to assist you with your loan request today and hope that you are pleased with the value and benefits offered by Alliant Credit Union. If you have any questions, please feel free to contact me directly. My name is \_\_\_\_\_ and my extension is \_\_\_\_\_.

**By signing, I certify that I have discussed all of the above issues regarding this loan with the member.**

Loan Officer \_\_\_\_\_ Teller Code \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_